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COPY NO. 39

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

MAY 11 1951

Date: _____

NOTE: 1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.

2. Comments represent the preliminary views of the Office of Current Intelligence.

3. Marginal letter indications are defined as follows:

"A" - items indicating Soviet-Communist intentions or capabilities

"B" - important regional developments not necessarily related to Soviet/ Communist intentions or capabilities

"C" - other information indicating trends and potential developments

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JAPANESE PEACE TREATY

"A" Comments by Embassy Moscow on Soviet Note Concerning Japanese Peace Treaty. Embassy Moscow believes that the Soviet Foreign Office felt obliged to come forth with comment in response to the draft Japanese treaty presented by the US on 29 March. Timing of the Soviet note is largely due to a desire to place the USSR's position on record before further developments occurred. The Embassy considers that the Soviet demand for a four-power CFM in June or July may be designed to "keep the CFM pot boiling for propaganda purposes" in anticipation of possible failure of the Paris negotiations. Soviet inclusion of this proposal in remarks on the US treaty draft suggests to the Embassy either that a direct approach to the governments concerned will be forthcoming or that the proposal was made merely for propaganda purposes. Omission of France from the proposed CFM is considered noteworthy by the Embassy. Of five specific proposals concerning the peace treaty contained in the note, two are devoted to the Japanese economy and trade. The Embassy feels that aside from the propaganda aspects of these proposals, it is also possible that the Kremlin consciously or unconsciously is betraying concern over the economic situation of Red China unless traditional Japanese economic relationships in Asia are reestablished. (C SD Moscow 1938, 9 May 51; C SD Moscow 1942, 10 May 51). COMMENT: Although in the past the USSR has sometimes left ambiguous whether or not its proposals concerning a CFM on a Japanese peace treaty included France as a participant, it appears that France has never been specifically named as a participant by the USSR. On the contrary, the USSR has on several occasions made specific reference to the other four powers in this regard, and its latest note indicates the Soviet attitude that France is not entitled to a major share in preparation of the peace treaty because it did not formally declare war on Japan and was not a signatory of the Japanese surrender document. (A Free French representative actually signed the surrender document).

SECTION I (SOVIET)

"B" EASTERN EUROPE. ALBANIA. Hoxha Regime Acts Against Resistance. Radio Athens broadcasts "reliable" information from Rome that the Albanian Government is in full control of the situation in Tirana, although circumstances are "obscure" in the rural areas where the police and the army are guarding communications. The police are reported to have made mass arrests after the exposure of several plots against the government, incidents of sabotage and clashes with resistance groups in central Albania. Communist People's tribunals are reported to have meted out numerous death sentences in cases of sabotage. In another report a [redacted] states that new concentration camps

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have been established in Albania since January 1951 to accommodate increased numbers of political internees, most of whom are men. (U FBIS ticker, 10 May 51; [redacted] COMMENT: Other reports indicate that the Hoxha Government is dealing ruthlessly with resistance activities within Albania.

"B" BULGARIA. Deviationist Show Trials Staged. A Bulgarian radio broadcast states that on 2 May sentences of 15 and 10 years respectively were meted out to Bulgarian Communists Petko Kunin, former Minister of Industry and Finance, and Manol Sekelarov, also a former Minister of Industry and Minister of Electrification. Both were alleged to be "members of Kostov's band" who used their positions to inflict harm on the Bulgarian economy. At a second concurrent trial Ivan Maslarov and Peter Semerdjiev, former members of the Party's Central Committee, received approximately similar sentences for collaborating with Kostov. Maslarov was also alleged to have been in touch with the Yugoslav Intelligence Service. (U Bulgarian Home Service, 10 May 51). COMMENT: The ex-Minister defendants were arrested in the sweeping Bulgarian purge of 1949 which began with the fall of Kostov. There still remains a large reservoir of arrested but as yet untried "Kostovists" from which the Bulgarian Government can draw victims for sacrifice at the altar of Soviet exploitation of Bulgaria.

"C" HUNGARY. Direct Government Control of Industry Nears Completion. A recent statement by Janos Szabo, Chief of the Hungarian Directorate of Local Industry, has clarified the activities of that organization, which was created in January 1951. According to Szabo, who is also Deputy Minister of Interior, small and medium industry as well as craft cooperatives are being brought together under the control of the Directorate of Local Industry. The Szabo statement noted that the formation of additional craft Cooperatives and the creation of new local plants are being energetically pushed. (R FBIS, 27 Apr 51). COMMENT: The Hungarian Nationalization Law of 28 December 1949 extended nationalization to all manufacturing, mining, foundry and transport enterprises employing ten or more people. The newly formed Directorate is apparently to be used to bring the remaining sectors of industry under governmental control.

"C" YUGOSLAVIA. Concerted Satellite Provocations Timed for May Day. In addition to the border provocations committed by Bulgaria and Rumania on 30 April and 1 May (CCI Daily Digest, 4 May 51), the Yugoslavs charge that Albanian and Hungarian border guards also perpetrated border violations between 29 April and 1 May. In one of the two incidents on the Albanian border a Yugoslav frontier guard was slightly injured. Belgrade radio calls attention to the coincidence that all these provocations occurred over the May Day weekend and concludes that the incidents were major or minor "according to the roles assigned by the baton of the Moscow conductor to the respective Cominform proconsuls." (R FBIS, 9 May 51). COMMENT: Yugoslav propaganda is increasingly stressing the theme that the hostile acts of its neighbors are part of a master plan directed and controlled by the Kremlin.

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"B"

Yugoslav Estimate of Satellite Military Preparations.

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there is no radar in Hungary, Rumania or Bulgaria~~s~~ and no central military headquarters for the Balkan Satellites has yet been established. [REDACTED] Bulgarian units at the Yugoslav border are not under strength. Bulgarian regiments there are now carried at 1000 and will nearly double with the calling up of reserves for summer training. [REDACTED]

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COMMENT: In addition to the radar operated by Soviet air units in Hungary and Rumania, which [REDACTED] may have meant to exclude, there is reliable evidence that the Bulgarians at least have a few radar sets. It has not been confirmed, however, that any southern Satellite early-warning radar is yet operational. There have been numerous reports that a central Soviet-Satellite military headquarters had been or soon would be established, but none of these reports has been confirmed. US Military Attaché in Turkey previously estimated that of the five Bulgarian divisions dispersed along the Yugoslav border, all but one were under strength with some regiments totaling only 500 men.

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"B"

CURRENT COMMUNISM. WFDY is Reported to Organize for Penetration of Western Armies. Guy de Boysson, former president of the World Federation of Democratic Youth (WFDY) has told an informant of [REDACTED] that the executive committee of the WFDY (now located in Budapest) is to be enlarged and that General Farkas will join the committee to organize the WFDY for penetration and for conducting anti-militarist agitation within Western Armies. Boysson also commented on the WFDY World Youth Peace Festival scheduled for August in Berlin. He said the festival will have character of a militant political demonstration against presence of Western powers in Berlin, and that the political situation then prevailing and the needs of Soviet diplomacy will determine the extent of parading in Western sectors of the city. However, he thought "irresistible waves of young peace fighters will flood all sectors of Berlin." (S SD Paris 6824, 9 May 51). COMMENT: General Farkas is Hungary's Minister of Defense and Deputy Secretary General of the Hungarian Workers (Communist) Party. Before the war, he assisted in organizing Communist youth groups throughout Europe. He has represented Hungary at Cominform meetings. If the report of Farkas' appointment is correct, it indicates that the WFDY will, in the future, play a more important role in Communist agitation activities. However, the WFDY's plans for infiltrating Western armies are not new, since Communist leaders a year ago advised their followers to join Western armies in order to work from within. Boysson's comments on the Berlin festival are expressive of the WFDY's known hopes and aspirations but do not contribute any knowledge concerning their real intentions or capabilities.

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SECTION 2 (EASTERN)

"B" TURKEY. Hungary Sells Wheat to Turkey in Exchange for Copper. The US Embassy states that the Turkish Minister of Commerce has confirmed the purchase by Turkey of 6,000 metric tons of wheat from Hungary against 650 tons of copper. The Foreign Office and Ministry of Commerce consider the present transaction justified by their urgent need for wheat. The present Turkish policy on copper shipments to satellites is to limit exports to shipments of previous years, and to insure that imports of copper manufactures from recipient satellites contain a quantity of copper equivalent to Turkish exports. The Turks feel that for obvious political reasons and under present circumstances, they cannot suddenly and completely stop such exports. (S Ankara 717, 9 May 51). COMMENT: The Turks have regularly exported a certain amount of copper to Hungary, and the Embassy comments that the negotiations for this last transaction were completed prior to notification to the Embassy that copper had been added to International List I (the embargo list).

"B" SYRIA-ISRAEL. Arab Reaction to the Border Situation. According to US Minister Cannon in Damascus, the Syrian Parliament and press have reacted in two major ways to Prime Minister el-Azm's policy statement regarding the Syrian-Israeli border situation. (See OCI Daily Digest, 9 May 51). In the first place, the Deputies and editors have almost unanimously demanded armed retaliation to any future Israeli attacks in the demilitarized area along the border, and, in the second place, there has been a strong upsurge of anti-Western (particularly anti-American) feeling in Syria. Cannon believes that this reaction is not mere Arab emotionalism but has emerged as a result of a train of incidents in the last three months, during which period the government and press have been relatively restrained. Meanwhile, US Ambassador Caffery in Cairo has been informed by Egyptian Foreign Minister Salaheddin that Syria has appealed to Egypt for aid and that Egypt is on the spot and must do something. Salaheddin stated that since the UN is not taken seriously in his part of the world, he was requesting Caffery to submit an urgent appeal to the US to take some positive action. (C Damascus 615, 10 May 51; S Cairo 1146, 9 May 51). COMMENT: The serious concern felt by the Arab States generally over the current Syrian-Israeli frontier dispute is further emphasized by the fact that a special meeting of the Arab League Political Committee has been scheduled to meet in Damascus on 14 May to discuss the border situation. Other reports, in addition to those from Syria, also indicate the danger that the increasing hostility felt by the Arab

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countries toward Israel as a result of recent events in the area may increasingly be directed toward the US and UK and that this eventuality might strengthen the neutrality feeling that is prevalent in a considerable portion of the Arab world.

"C" PHILIPPINES. Top-ranking Communists Sentenced. Six top-ranking Communists and Huks were sentenced to die and nine others were given life prison terms following conviction on a charge of plotting rebellion. Eleven others received sentences up to 17 years while three were acquitted. The judge, who is to leave soon for a "rest cruise" abroad, set a precedent when he declared the Communist Party illegal. (R AFP Press Ticker, 11 May 51). COMMENT: This concludes at least the first step (presumably an appeal will be made) of the celebrated case of the Communists apprehended in raids last October. Among those given life terms or death sentences were several former ranking leaders of the Philippine Communist movement. It has been reported that the judge was ordered by "higher-ups" to make "examples" of the defendants. The legal status of the Communist Party in the Philippines has been confused. A Supreme Court order in 1932 declaring it illegal was never followed by administrative action.

"B" INDOCHINA. Second Phase of Delta Clean-up Completed. French military spokesmen have announced the completion between 5 and 9 May of a second clearing operation southwest of Haiphong in the Tonkin delta. Rebel casualties were reported to be 47 killed and 1,500 prisoners. Large quantities of weapons and supplies were destroyed or captured. French casualty figures are none killed, eight wounded. The native population is returning to villages which have been forcibly evacuated by the Communist-led forces. (U Hanoi 648, 10 May 1951). COMMENT: This operation complements the somewhat more ambitious operation which was undertaken on 18 April in the area immediately to the east. Such clearing operations offer the opportunity for the establishment of a non-Communist native administration in very densely populated areas. The establishment of such an administration would at the very least alleviate threats to the French military line of communications and could, under ideal circumstances, greatly reduce the reservoir of manpower available to Ho Chi Minh.

"B" Bao Dai Answers Questions on Situation in Vietnam. In reply to questions by AP Correspondent Seymour Topping, Bao Dai stated that (1) the increasing contrast between the national-welfare program of his own government and the Communist-imperialist program of the rebel government is highly favorable to his own cause; and (2) the agreements between his government and France represent a "big step toward total independence," and the status granted to Vietnam by France did not warrant "much justified criticism". On

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the subject of progress in the formation of the Vietnamese National Army, Bao Dai referred the questioner to Premier Tran Van Huu, who also holds the post of Defense Minister. Bao Dai appealed for an expansion of US technical and economic aid to Vietnam. He believes that the chief deterrents to a Chinese Communist invasion are the "international repercussions" which would ensue and the risks which the Chinese would run of incurring the "undying opposition of the Vietnamese people," rather than any measures which might be taken to "forestall" Chinese Communist intervention. (U Saigon 1964, 10 May 51). COMMENT: Bao Dai's replies attest to his increasing political acumen. While not directly criticizing the French, he has managed to couch his replies in terms which will appeal to Vietnamese nationalists. The implications of his remarks are that he is not satisfied with the present level of independence granted to Vietnam, and that blame for delay in the creation of a National Army falls at least partly on Premier-Defense Minister Huu. He indicates that Vietnam looks to the US rather than to France for support. This was stated directly in the case of economic aid. In the case of military support, it is implicit in his statement that the deterrents to a Chinese Communist invasion are "international repercussions" (i.e. US-UN opposition) and the opposition of the Vietnamese themselves rather than efforts to "forestall" invasion, an apparent reference to General De Lattre's Maginot-like defenses in Tonkin.

"B" CHINA. Taiwan Governor Tenders Resignation. K.C. WU, former mayor of Shanghai and currently governor of Taiwan, has reportedly submitted his resignation to CHIANG Kai-shek for the third time. WU's action is said to be based on continuing friction with Premier CH'EN Ch'eng over policies concerning the administration on Taiwan. Rumored replacements for WU, who allegedly will replace Wellington KOO as ambassador to the US, include WENG Wen-hao, former premier of Nationalist China, who is expected to return to Taiwan shortly.

25X1A [REDACTED]. COMMENT: Rumors of high-level replacements in Nationalist circles have become frequent but remain wholly unconfirmed. WU, in his attempts at reforming the Taiwanese provincial administration has reportedly come into conflict with the more conservative CH'EN on several occasions.. In early 1950 WU apparently was backed by CHIANG against CH'EN, but recent signs suggest a possible reversal of the Generalissimo's attitude. A recent report also has stated that CH'EN was considering stepping down from the premiership, but only in favor of HU Shih. While there is no reliable information regarding the whereabouts and intentions of WENG Wen-hao, there are some indications of his possible alignment with the Chinese Communists.

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"C" 25X1C KOREA. Soviet Pilots and Jet Aircraft Reported in North Korea. Two reports of early March [redacted] allege the presence at Hoeryong airfield (northwest of Chongjin) of a large number of Soviet planes (possibly jets) hidden in underground hangars. Soviet pilots and military personnel reportedly have been observed to be billeted in homes and barracks surrounding the airfield. (S)

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COMMENT: Although these reports remain unconfirmed, the stationing of a Soviet air unit at Hoeryong is a definite possibility in view of the proximity of Hoeryong to both the Sino-Korean and Korean-Soviet borders. Hoeryong airfield itself has adequate facilities to accommodate jet aircraft and underground fuel storage installations are known to exist. A 7 May UN air reconnaissance of the field indicates it is probably operational, but no planes were observed.

"B"

Communist Forces Shift to East for Next Attack. The US Far Eastern Command, in an estimate of enemy capabilities, notes that recent agent, civilian, and prisoner reports support the suspected movement of major Chinese Communist elements from the western sector to the Kumwho-Hwachon area of the central front. Elements of the Chinese Communist 3rd and 19th Army Groups are involved in this move. Apparently Chinese Communist 4th Field Army units, currently occupying the central sector, are moving further east. FECOM believes that, because the recent enemy effort to secure the Seoul-Inchon complex failed, it would not be illogical for the enemy to shift his efforts to the central sector where he has experienced previous successes. (S DA CINCFE Telecon 4701, 11 May 51).

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Current Communist Offensive Tactics Described. [redacted], the following decisions were reached at a high conference in Peiping on 21 April: (1) to launch the spring offensive in Korea earlier than planned; (2) to divide the campaign into three phases, the capture of Seoul, securing of a line between Andong and Taejon, and an all-out attack on Pusan, and (3) to use their air and naval strength if the ground forces were unable to carry out this plan. [redacted].

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25X1A COMMENT: While [redacted] account of the "high-level Peiping meeting" contains information which is highly suspect, this report is interesting speculation on the Communist tactical plans for the currently-quiescent offensive. There is evidence that the Communist offensive was planned to include a series of attacks, the first of which probably had the capture of Seoul as its objective. The continued lack of any major enemy air activity, however, is still unexplained.

"C" Preliminary Conversations Concluded on UN Korean Reconstruction Agency's Role. In recent conversations between military officials and Sir Arthur Rucker, present United Nations Korean Reconstruction Agency (UNKRA) representative in Korea, it was agreed that a

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preliminary step to UNKRA's functioning in Korea would be a review of the present ROK import program to determine projects by which UNKRA could most usefully supplement the military program. The conversations also brought out the fact that capital investment and reconstruction projects will not be undertaken until the cessation of hostilities. (S Pusan 935, 9 May 51). COMMENT: While such a program review will give concerned parties a better idea of the economic problems they face in Korea, the lack of transportation facilities (port space, storage space, and means of internal distribution) will continue to be a major deterrent to a degree of civilian recovery.

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SECTION 3 (WESTERN)

"C" GERMANY. Attempt To Be Made for Increased Coordination of Intelligence and Propaganda Activities. [REDACTED] an attempt will be made to co-ordinate the activities of the various west German information gathering services. Theodor Blank, the head of Chancellor Adenauer's security planning office, will reportedly hold a meeting in mid-May with officials of the office for the Protection of the Constitution (the main intelligence organization), and various other Government officials concerned, at which it is planned to establish a permanent central office for collecting, evaluating, and distributing all types of information, both covert and overt, with a coordination office in Berlin. In the propaganda field, Otto Lenz, Chancellery official, has reportedly accepted an appointment, soon to be announced, as Chief of a propaganda office for the Federal Republic. [REDACTED]

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COMMENT: The Office for the Protection of the Constitution was established by the Federal Government under Allied guidance, for the purpose of coordinating intelligence activities. The possible relationship between it and Blank's new permanent central office is as yet unclear. [REDACTED]

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various influential intelligence-collecting groups in west Germany have resented the intelligence-gathering activities of Blank's office, which is actually an embryonic Defense Ministry. [REDACTED]

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25X1A Thus Blank might meet with considerable resistance in trying to establish a central intelligence-collecting office, particularly if he were to try to assume control of such an office.

"A" FRANCE. Fellow-Traveller Neutralist Discusses Soviet Aims. Gilles Martinet, fellow-traveler neutralist editor of the weekly paper Observateur, has revealed to Embassy Paris officials attitudes which they consider "representative of a considerable segment" of the French neutralist movement. He, Pierre Cot, and other leaders of the Marxist wing of the neutralist movement are discouraged over its prospects, especially after the forthcoming French elections. These leaders, claiming that the USSR is "prepared and desirous" of giving security guarantees to the UK, France, and Italy in order to draw them out of NATO, are "gloomily" discussing even the possibility of a US-USSR deal like the 1939 Nazi-Soviet pact, which would "sell out" the Western European Communists. The West European Communists, he feels, are "subdued" by the evidence in Korea of Soviet "reserve"; and Soviet control in Eastern Europe is "shaky". (C Paris 6795, 8 May 51). COMMENT: Martinet's clear identification of his own future with that of the Western European Communists-- aside from the unusualness of this direct approach of a known

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fellow-traveler to Embassy Paris officials--creates the strong presumption that this report may be a plant which the source did not intend to disguise. There have been recent reports, some obvious Soviet plants and others definitely originating with Soviet representatives, which appear to encourage bilateral negotiations. According to a recent fairly reliable report, however, the staff of Observateur is deviationist, with financial support from the Yugoslav Embassy in Paris, and hence it is possible that the editor, despite his known past association with Cot, is veering away from PCF control and is sincere in his approach to US officials.

"C" ITALY. Factors Helping to Weaken Communist Peace Offensive. In their campaign to encourage military defeatism and neutralism, the Italian Communists (PCI) have decided to allow the peace partisans during the forthcoming local elections to favor non-Communist candidates if the latter "denounce warmongers" and favor "peace". (See OCI Daily Digest, 3 May 51.) The drive for signatures for the Berlin appeal is gaining momentum by injection into the electoral campaign largely through these peace partisans. US Embassy Rome believes, however, that the PCI will not succeed in concealing its connection with the peace partisan movement and that the Berlin appeal will not have much attraction for the average voter. (See OCI Daily Digest, 7 May 51.) Although identification of the PCI and the philo-Communist Nenni Socialists (PSI) with "peace" and neutralism is having some effect among broad strata of the population, the Government is increasingly aware of the need of identifying rearmament with efforts to maintain peace. Most competent observers consider the legend that "Communism means peace" is being gradually destroyed. The workers' movement under Magnani and Cucchi is contributing to this end, and further assistance should be forthcoming from the recent merger of the democratic Socialist parties. (See OCI Daily Digest, 2 May 51.) (C Rome 5029, 9 May 51). COMMENT: This is the first official confirmation of previous indications that the Magnani-Cucchi movement is important as an anti-Communist force.

"A" SWITZERLAND. Swiss Seek Middle Course on Export Controls Under Rising Pressure From East and West. In response to the latest US request for information on the steps being taken by the Swiss to restrict their export of selected strategic goods to the Soviet orbit, Zehnder, Under Secretary of State, has informed the US Minister that the Czechs have been authorized by the Kremlin to promise vital raw materials in exchange for machinery, such negotiations to take place in Moscow. Zehnder pointed out that although they had turned down this offer and the Government has recently been given power to control exports and imports, the Swiss could not export exclusively to the West on the basis that this was

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dictated by economic compulsions. Zehnder suggested that because a machine tools and ball bearings embargo would ruin these industries, there be a minimum export of these goods to the East, balanced perhaps by increases to the West. He also stated, however, that in principle under the new powers there was now no juridical obstacle to embagoing other categories of goods less important to the Swiss economy. (C Bern 1515, 10 May 51; R JW 18, 4 May 51; S State Despatch 2436 Paris, 20 Mar 51). COMMENT: The Swiss have probably brought the offer of raw materials from the East to the attention of the US in order to place themselves in a better bargaining position in reconciling the demands of the two groups. It appears probable that they will meet US demands only in part and that they will do so only as a quid pro quo for raw materials, and possibly military supplies, from the West.

"B" UNITED KINGDOM. Government Opposes Transfer of Formosa to Communist China Now. Foreign Secretary Morrison stated in the House of Commons on 11 May that the UK does not seek the transfer of Formosa to Communist China while Peiping's forces are engaged in aggression in Korea. He asserted that the Formosan problem can usefully be considered by the UN at some time after the cessation of operations in Korea, and that the wishes of the inhabitants of Formosa should be taken into account. Morrison reassured Commons that the issue would not delay conclusion of the Japanese peace treaty. (U AP ticker 11 May 51). COMMENT: By this statement the UK Government has made a considerable shift of emphasis on the Formosan question. While not specifically excluding discussion of the island's status with the Chinese Communists as part of a Korean settlement, the statement goes far toward meeting the US view that Formosa shall not be a bargaining item. Mention of the UN's role and of the desires of the Formosans themselves leaves the way open for the UK to abandon its previous position that the 1943 Cairo declaration and the UK's subsequent recognition of the Chinese Communists finally committed the UK to support Peiping's claim to Formosa.

"B" SCANDINAVIA. Press Features Icelandic-US Defense Agreement. The arrival of American troops in Iceland received front page coverage in the Scandinavian press, which uniformly stated that the development indicated the present state of international tension. Danish and Norwegian newspapers, however, emphasized that the agreement strengthened the NATO defense establishment; while in Sweden the semi-official Government paper took the neutralist view that the development was "highly dangerous to world peace" and an accentuation of "Great Power differences". In addition, a number of Swedish papers and at least one Norwegian paper voiced the foreboding that the new situation in Iceland may induce greater Soviet interest in Scandinavia and Finland, particularly the Spitsbergen Archipelago

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and other Norwegian insular possessions off the North Norway coast. (R Stockholm 1313, 8 May 51; R Stockholm 1318, 8 May 51; R Stockholm 1320, 9 May 51; P Copenhagen 954, 9 May 51; P Oslo 1096, 8 May 51; P Oslo 1102, 9 May 51). COMMENT: These reactions generally reflect the basic foreign policies of each country.

"B" DENMARK. Foreign Office Demurs at US Pressure for Lengthening Conscription Period. The Director-General of the Danish Foreign Office has informed the US Embassy that the US request that Denmark increase the conscription period from 12 to 18 months will render difficult an early passage of the Government's new defense bill, which has been under discussion between the political parties since last autumn. The Embassy expresses the view that presentation of this desirable request should be so timed as not to impede or jeopardize parliamentary approval of the vitally important Defense Bill and the newly signed treaty for joint US-Danish defense of Greenland. (S Copenhagen 956, 9 May 51). COMMENT: The Defense Bill involves organizational laws to implement the basic law of 1950, unifying the three services, and is expected to define manpower and matériel goals for the defense establishment. Although pro-NATO parties control the Parliament, large defense appropriations and increased military service always arouse lengthy discussion and considerable opposition, since the Danes fear the repercussions of rearmament upon the nation's already strained economy.

"C" ARGENTINA. Rumors of an Armed Services Conspiracy against the Perons. US Embassy reports "insistent and continued rumors of armed services conspiracy against the Perons which was recently uncovered. Various Army and Navy officers believed under arrest. Rumors flying fast. Facts scarce." (C Buenos Aires 990, 10 May 51). COMMENT: An army conspiracy against the Peróns at this time would be consistent with other circumstances indicative of increasing political instability. Signs of continuing labor unrest--now serious among railroad workers--and evidence that non-Peronista groups are gaining in public favor and influence among labor may have caused some members of the Army--already aroused over Perón's reported firm decision to allow Mrs. Perón to run for Vice-President--to conspire against the Peróns. (See OCI Daily Digest, 10 Mar and 2 May 51). Further, the recent reported arrest of Mrs. Sosa Molina, wife of Minister of Defense General Sosa Molina, who is the spokesman of an army group which has opposed Mrs. Perón's activities for several years, may have provoked a conspiracy by army elements.

"C" BOLIVIA. Political Unrest Continues. The Government candidate Gosalvez has been persuaded not to step out of the political scene--an act he had decided upon in face of his poor showing in the 6 May elections. The army and other administration sources have been

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laying emphasis on the Government's majority in Congress which must now select the President from among the three who gained the most votes. The army position is that when Congress selects Gosalvez in August, the followers of Paz Estenssoro (MNRistas) will "kick over the traces"; the army can then step in to form a junta and keep the MNR out. (See OCI Daily Digest, 21 Apr 51.) An army source said that while good reasons exist for the army to take steps now, the public "might not understand". Latest reports, however, indicate that the army is being "cagey" in order to keep plans concealed and may attempt "to take over tomorrow night".

(C La Paz 525, 10 May 51). COMMENT: Paz Estenssoro, candidate of the Movimiento Nacionalista Revolucionario, has received a comfortable plurality of votes, but not the necessary majority. Constitutionally it is now up to Congress to select the president from among the three who received the most votes. Since the Government party and allied groups have the majority in Congress, they could be expected to name Gosalvez president. However, now or in the near future the army may well take over the Government and establish a junta in order to be in a better position to counter any revolutionary activity of the MNR—who might decide not to wait until Congress acts in August.

"C" PANAMA. Arosemena replaces Arias. On 10 May the National Assembly met, constituted themselves into a high court, impeached President Arias for abuse of his constitutional powers and gave the oath of office to First Vice-President Alcibiades Arosemena. (U Panama 514, 10 May 51). COMMENT: Alcibiades Arosemena is a colorless, venal politician from a prominent Panamanian family. Strongly pro-Arias for the past ten years, it is unlikely that he is on good terms with Police Chief Remón. If Remón can find some legal way to replace Arosemena, he may do so. On the other hand, if Arosemena proves tractable, Remón's desire to avoid public criticism may lead him to support Arosemena until the scheduled presidential elections are held in 1952.

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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES

11 May 1951

SECTION 2 (EASTERN)

"B" IRAN. Possible Use of US Companies to Exploit Iranian Oil. The US Embassy in London concurs with the Department of State that the use of a US Company to exploit Iranian oil might have unfortunate repercussions. The Embassy fears that such a development would lend substance to the Soviet line that the US is attempting to "gain mastery" over Iran, and that US oil companies are seeking to supplant UK interests in Iran. Any move which might suggest that the US or US industry was enriching itself at the expense of a weakened partner would result in widespread resentment and disillusionment in the UK, and inevitably undermine effectiveness of US-UK partnership. (S, S/S London 5850, 9 May 51). COMMENT: The State Department understands "on reliable authority" that the Iranian Embassy in Washington has received two or three offers from US oil companies. While there is no evidence that Iran is seriously contemplating using the US firms, their offers may influence the thinking of some Iranian leaders and may further complicate Iran's relations with the Anglo-Iranian Oil Company. Prime Minister Mossadeq has acknowledged that foreign experts are necessary for the time being to help Iran exploit its oil, and is probably considering the possibility of employing experts from various foreign countries.

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